

COMMENTS OF EQUIPOWER RESOURCES CORP.

ON RAISED BILL NO. 450

AN ACT CONCERNING ENERGY CONSERVATION AND RENEWABLE ENERGY

EquiPower Resources Corp. (EquiPower), a Hartford based company, owns and operates 1,792 megawatts (MWs) of generating capacity in New England with 1,360 MWs of that total in Connecticut. EquiPower is the second largest generator of electricity in the state. We offer testimony today on Raised Bill No. 450 – An Act Concerning Energy Conservation and Renewable Energy.

EquiPower does not agree with the sections of this bill which allow the electric distribution companies (EDCs) to build, own or operate Class I electric generating facilities without competing for the opportunity to do so with competitive generators who have developed and demonstrated the requisite skills. As we have argued in several other bills over the years, the EDCs no longer have expertise in this area and should not be given permission to build generation without competition. The competitive generation companies in New England have built more than 13,000 MWs of new, efficient generation since the late 1990s. And, unlike the EDCs, the competitive generators absorb the risk of poor investment decisions and cost overruns and shield consumers from those risks. Allowing the EDCs to build generation without competition does nothing to ensure that the resources are built at the lowest cost to consumers.

For recent and local evidence, one need only look at New Hampshire where cost overruns by an EDC on the construction of an environmental upgrade that was once projected to cost \$250 million ended up costing \$422 million, a 69% increase. This cost overrun has contributed to increases of more than 1 cent/kWh in the rate the EDC needs to charge its ratepayers. To pay for the new environmental equipment at the higher price, starting soon the generation component for the EDC's Default Service may be as high as 9.35 cents/kWh, which is more than 25% higher than what consumers can contract with competitive suppliers in Connecticut, which is a higher cost load zone than New Hampshire.

If Class I electric generating facilities are to be built, the DEEP should conduct a competitive RFP in which the EDCs and competitive generators are allowed to bid as was done for peaking generation as a result of the 2007 legislation. In fact, the results of that RFP process are an example of why the State should not hand the right to build Class I electric generating facilities without competition. Northeast Utilities (NU) and United Illuminating (UI) participated in that RFP along with a number of competitive generation companies. NU was not chosen to build any of the natural gas-fired peaking generation and UI joined forces with NRG, a competitive generator with a cost advantage, and prevailed in the process. Had this generation been awarded to EDCs without competition, consumers in Connecticut would have paid significantly more for the same generation. Competitive bidding worked then and should be allowed to work again.

There is no downside to having the EDCs compete to build renewable resources. If their costs to build are lower, the EDCs will win the RFP. However, if the EDCs cannot build the renewable resources less expensively than others, consumers will win by getting the lowest price for the new resources. Giving EDCs the right to build generation without competition exposes consumers to higher costs and puts risk on consumers that they do not need to take.

It is often cited that Connecticut consumers pay among the highest electricity rates in the nation. Bills such as this one, which deny the benefits of competition to electricity consumers, would frustrate efforts to lower those rates.

EquiPower appreciates the opportunity to offer these comments on Raised Bill No. 450.

Submitted by,

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